Indian Economy · GS - III

India's transition from external economic vulnerability to a major growth economy highlights the importance of macroeconomic resilience. Analyse the role of structural reforms, infrastructure investment and digital public infrastructure in strengthening India's growth prospects.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 19/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Macroeconomic stability, Fragile Five, fiscal discipline, inflation management, infrastructure investment, Digital Public Infrastructure, manufacturing, investment climate, inclusive growth.

Model Answer

Introduction

India's earlier identification among the 'Fragile Five' economies highlighted vulnerabilities such as external financing dependence, inflationary pressures and currency volatility. Strengthening macroeconomic fundamentals and structural reforms has been important in improving economic resilience.

Major Drivers of Economic Transformation

1. **Macroeconomic stability:** Improved external buffers, foreign exchange reserves, inflation management and financial sector regulation strengthen resilience against global shocks.
2. **Infrastructure investment:** Investment in roads, railways, ports, logistics and renewable energy improves connectivity, productivity and competitiveness.

3. **Digital Public Infrastructure:** Platforms such as Aadhaar, UPI and digital payment systems promote financial inclusion, efficient service delivery and formalisation.
4. **Manufacturing reforms:** Production-linked incentives, GST and initiatives such as Make in India aim to strengthen domestic production and integrate India into global value chains.
5. **Investment environment:** Regulatory reforms and improved business infrastructure can encourage domestic and foreign investment.

Remaining Challenges

Employment generation, regional inequality, skill gaps, agricultural productivity, private investment and manufacturing competitiveness remain important concerns. External shocks, including volatile oil prices and global financial tightening, can also affect growth.

Conclusion

India's long-term transformation requires sustained productivity growth, fiscal prudence, employment-intensive industrialisation and human capital development. Macroeconomic stability must translate into broad-based and inclusive prosperity.

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